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GREAT LAKES POWER CORPORATION LIMITED

1969 ANNUAL REPORT

1969
Annual
Report

GREAT LAKES POWER CORPORATION LIMITED

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GREAT LAKES POWER CORPORATION LIMITED

General Offices:
122 East Street
Sault Ste. Marie, Ontario

*Board of
Directors*

*J. N. ALLAN	Dunnville
J. B. CRONYN	Toronto
R. L. CURRAN	Sault Ste. Marie
*J. S. DINNICK	Toronto
*DR. R. L. HEARN	Queenston
*W. M. HOGG	Sault Ste. Marie
*F. E. HOLLINGSWORTH	Sault Ste. Marie
F. S. HOLLINGSWORTH	Sault Ste. Marie
A. B. McLEAN	Sault Ste. Marie
J. D. McPHAIL	Sault Ste. Marie
P. J. CHADSEY	Toronto
*W. P. SCOTT	Toronto

* Member of Executive Committee

Officers

F. E. HOLLINGSWORTH	<i>Chairman of the Board of Directors</i>
W. M. HOGG	<i>President</i>
F. H. MacKAY	<i>Vice-President - Electrical Operations</i>
C. R. WALTON	<i>Vice-President & Secretary</i>
B. L. CARRUTHERS	<i>Comptroller & Treasurer</i>

*Transfer
Agent and
Registrar*

MONTREAL TRUST COMPANY	15 King St. West Toronto, Ontario and 777 Dorchester Blvd. West Place Ville Marie Montreal, Quebec
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Auditors

RIDDELL, STEAD & CO	48 Yonge Street Toronto 215
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Directors' Report

The improved earnings forecast for the year 1969 in last year's Annual Report and later at the Annual Meeting did not materialize. This was due principally to an unanticipated \$400,000 increase in municipal and land taxes and work stoppages in the steel and associated industries which reduced projected revenues by approximately \$750,000.

The Company delivered 1.136 billion kilowatt-hours of electrical energy in 1969, down 66 million from 1968. Operating revenues decreased \$114,569 or 1 1/4% from that of 1968. Net income declined \$32,634 or 1.6%. Favourable water conditions in the first half of the year required less purchased power, however conditions were reversed in the latter half and have continued into 1970.

Our current and customers' estimated demands for power indicate that revenues will be up substantially over last year, but it appears that the increase in revenue will be offset by increased operating expenses, including purchased power, property taxes, wages and cost of money.

Operating expenses excluding property taxes and purchased power were up \$113,291; property taxes were up \$410,958; interest charges were up \$43,617 while purchased power was down \$515,340. This resulted in a net increase in expenses of \$52,526.

After deductions for interest and related charges and provision for depreciation and income taxes, net income for 1969 was \$2,013,824 or \$1.63 per share on 1,232,509 shares. Last year's net was \$2,046,458 or \$1.66 per share on 1,232,234 shares.

The Company will claim for tax purposes capital cost allowances in excess of the depreciation recorded for 1969, which will result in an estimated reduction of \$138,500 in income taxes. This reduction is reflected in the consolidated statement of income in this report and compares with a \$140,700 reduction in 1968. The total amount by which income taxes have been so reduced in this and prior years is \$3,762,900.

Power is being supplied to Abitibi Paper Company, The Algoma Steel Corporation and its Algoma Ore Division, Linde Gases Division of Union Carbide Canada, Mannesmann Tube Company, Algoma Central Railway, Renabie Mines, Weyerhaeuser Canada and a number of smaller industries and mines. Power is supplied to Ontario Hydro for distribution in the Chapleau area. The City of Sault Ste. Marie is supplied with power for distribution therein and in adjoining areas. Power is retailed by the Company in twenty-six communities and municipalities, including surrounding rural areas.

During the year approximately \$1,832,000 was added to Utility Plant. Of this amount \$352,490 was expended to complete the new 230/115 K.V. substation, \$996,712 on the second 230 K.V. tie line with Ontario Hydro and \$165,112 on additions to a distribution substation supplying The Algoma Steel Corporation Limited.

An allocation of \$1,303,000 has been authorized for construction in 1970, including the completion of the second 230 K.V. tie line to the Ontario Hydro system and the completion of the Algoma Steel substation.

Power is being produced in nine hydro-electric generating stations with an aggregate capability of 192,000 kilowatts, all interconnected with 312 miles of transmission lines. The Company sells 12,500 hydraulic horsepower to the Abitibi Paper Company from the power canal at Sault Ste. Marie, Ontario. In addition, electrical energy is available from Ontario Hydro, which is delivered as required over the Company's interconnection with the Hydro system. During 1970 studies and appraisals relating to developments for future load increases and for improvements within the Company's system will continue.

All interest payments and sinking fund provisions of the Company's first mortgage bonds and debentures for the year 1969 have been made. The balance of the Series "A" first mortgage bonds that matured on December 30, 1969 were retired on that date with funds provided by a bank loan.

Four quarterly dividends of 30c per share were paid during the year, making a total payment of \$1.20 on each share outstanding for the full year.

The resignation as a Director of J. Michael G. Scott of Vancouver, B.C. was accepted with regret on April 25, 1969. The members of the Board have appreciated the helpful advice of Mr. Scott who had been a director since 1967.

This vacancy on the Board of Directors has been filled by the appointment on April 25, 1969 of Philip J. Chadsey of Toronto who is a Vice-President and Director of Wood Gundy Securities Limited.

A submission has been made to the Minister of Finance relative to the discriminatory proposals in the "White Paper" which would materially affect the shareholders of this Company. We have also joined with other Canadian electric and gas utilities in presenting a joint brief to the Standing Committee on Finance, Trade and Economic Affairs.

It is a pleasure to acknowledge what continues to be our greatest asset, the concerted efforts of a loyal staff.

On behalf of the Board of Directors,

F. E. HOLLINGSWORTH, *Chairman.*

W. M. HOGG, *President.*

March 25, 1970.

GREAT LAKES F
Consolidated Statement of Income
and Retained Earnings FOR T

GREAT LAKES POWER CORPORATION LIMITED

FOR THE YEAR ENDED DECEMBER 31, 1969

1969

1968

Operating Revenue

Electric	.....	\$ 8 845 350	\$ 8 959 948
Hydraulic	.....	62 854	62 825
		<hr/>	<hr/>
		8 908 204	9 022 773

Operating Expenses

Operation	1 139 630	1 069 900
Purchased power	891 854	1 407 194
Maintenance	543 561	516 047
Depreciation	1 165 709	1 149 716
Taxes, other than income taxes	725 755	314 797
Directors' fees and expenses	14 329	14 275
	4 480 838	4 471 929

Operating Income

Other Income			
Interest	28 810	20 699	
Discount on redemption of bonds and debentures	52 350	—	
Income Available for Interest Charges	4 508 526		4 571 543

Interest Charges

Interest on long-term debt	786 452	804 958
Amortization of debt discount and expense	27 456	24 672
Interest on bank loan	14 346	—
	828 254	829 630
Interest charged to construction	44 352	89 345
	872 606	918 975

Net Income Before Income Taxes

Provision for Income Taxes (Note 5)	1 710 800	1 784 800
NET INCOME	2 013 824	2 046 458

NET INCOME

NET INCOME

Retained Earnings at Beginning of Year

Contributions in aid of construction (Note 3) — 14 881

16 435 484 15 900 341

Dividends declared and paid

1478846 1478681

RETAINED EARNINGS AT END OF YEAR

\$14 956 638

Consolidated Balance Sheet AS AT DECEMBER 31, 1969

ASSETS	1969	1968
Utility Plant		
Stated on the basis of fair value of \$22,200,000 as at December 31, 1949 of property acquired as an entirety as appraised by H. G. Acres & Company, consulting engineers, plus subsequent additions at cost, less retirements	\$60 378 322	\$58 919 666
Accumulated depreciation (Note 1)	15 743 199	14 822 205
	44 635 123	44 097 461
Current Assets		
Cash	42 504	41 853
Accounts receivable	971 636	1 054 103
Materials and supplies, valued at average cost	242 675	215 667
Prepayments	6 777	40 725
	1 263 592	1 352 348
Other Assets		
Unamortized debt discount and expense	119 388	146 844
Signed on behalf of the Board:		
W. P. SCOTT, <i>Director.</i>	\$46 018 103	\$45 596 653
W. M. HOGG, <i>Director.</i>		

AUDITORS' REPORT

We have examined the consolidated balance sheet of G as at December 31, 1969 and the consolidated statements of ended. Our examination included a general review of the other supporting evidence as we considered necessary in

In our opinion these consolidated financial statement December 31, 1969 and the results of their operations and in accordance with generally accepted accounting principles

Toronto 215, Ontario
January 30, 1970

GREAT LAKES POWER CORPORATION LIMITED

	LIABILITIES	1969	1968
Capitalization			
Common shares (Note 2)			
Authorized			
2,500,000 shares without par value			
Issued			
1,232,509 shares in 1969; 1,232,234 shares in 1968	.....	\$ 4 031 057	\$ 4 026 478
Retained earnings	.....	14 956 638	14 421 660
Excess of appraised value of utility plant assets over cost as at			
December 31, 1949, less subsequent retirements	.....	8 574 298	8 621 154
Common share equity	.....	27 561 993	27 069 292
Preference shares			
Authorized			
120,000 shares of \$25 par value each, issuable in one or more series			
Long-term debt (Note 4)	.....	13 025 000	17 618 000
Total Capitalization	.....	40 586 993	44 687 292
Current Liabilities			
Demand bank loan	.....	4 600 000	—
Accounts payable and accrued	.....	705 743	523 062
Income taxes	.....	75 641	340 479
Customers' deposits	.....	49 726	45 820
	5 431 110	909 361	
	\$46 018 103	\$45 596 653	

SHAREHOLDERS

akes Power Corporation Limited (an Ontario Corporation) and retained earnings and cash flow for the year then ending procedures and such tests of accounting records and circumstances.

ent fairly the financial position of the companies as at source and disposition of their cash for the year then ended, d on a basis consistent with that of the preceding year.

RIDDELL, STEAD & CO.
Chartered Accountants

GREAT LAKES POWER CORPORATION LIMITED
Notes to Consolidated Financial
Statements

FOR THE YEAR ENDED DECEMBER 31, 1969

1. The utility plant, excluding the appraisal increment thereon and non-depreciable assets, is being depreciated on a straight-line basis over the estimated useful life of the plant.
2. The changes during the year in the common shares reserved for employee options are as follows:

Shares Reserved Dec. 31, 1968	Price per Share	Options Exercised		Shares Reserved Dec. 31, 1969	Expiry Date
		Shares	Proceeds		
8 850	\$21.60	—	—	8 850	Dec. 3, 1973
500	19.80	—	—	500	Dec. 13, 1976
5 000	16.65	275	\$4 579	4 725	July 19, 1978
14 350		275	\$4 579	14 075	

3. Commencing in 1969 contributions in aid of construction are being credited to utility plant. The amount received in 1969 was \$124,472.
4. Long-term debt consists of the following:

	Maturity	Balance as at December 31,	
		1969	1968
First Mortgage Twenty-Year Sinking Fund Bonds			
3½%, Series A	Dec. 30, 1969	\$ —	\$ 4 200 000
4¾%, Series B	Feb. 1, 1972	871 000	908 000
5%, Series C	Feb. 1, 1973	1 354 000	1 410 000
4½%, Series D	Dec. 1, 1976	3 200 000	3 300 000
Twenty-Year Sinking Fund Debentures			
4¼%, 1955 Series	Aug. 1, 1975	3 450 000	3 550 000
5¾%, 1957 Series	May 15, 1977	4 150 000	4 250 000
		\$13 025 000	\$17 618 000

The payments required to 1974 under the Deed of Trust and Mortgage for sinking fund purposes, including redemption of the Series B bonds in 1972 and the Series C bonds in 1973, are as follows:

1970	\$ 393 500*
1971	393 400
1972	1 153 300
1973	1 486 200
1974	300 100

* excluded from current liabilities

Debt discount and expense is amortized over the term of the issue, adjusted for annual retirements.

5. As it is the corporation's intention to claim for income tax purposes capital cost allowances in excess of the depreciation recorded in the accounts, the 1969 provision for income taxes is \$138,500 less than would otherwise have been provided. The accumulated amount by which income taxes have been so reduced in this and prior years is \$3,762,900.
6. The aggregate direct remuneration paid to directors and senior officers of the company and its subsidiary amounted to \$120,491.

GREAT LAKES POWER CORPORATION LIMITED

*Consolidated Statement
of Cash Flow*

FOR THE YEAR ENDED DECEMBER 31, 1969

1969

1968

Cash at Beginning of Year	\$ 41 853	\$ 593 866
Source		
From operations —		
Net income for the year	2 013 824	2 046 458
Depreciation on utility plant	1 165 709	1 149 716
Amortization of debt discount and expense	27 456	24 672
	3 206 989	3 220 846
Bank loan	4 600 000	—
Proceeds from shares issued	4 579	—
Proceeds from utility plant retirements	81 650	125 098
Contributions in aid of construction (Note 3)	—	14 881
	7 893 218	3 360 825
Disposition		
Payment of dividends	1 478 846	1 478 681
Retirement of long-term debt	4 593 000	93 000
Additions to utility plant	1 831 877	1 913 675
Special refundable tax	—	(106 820)
Reduction in current liabilities excluding bank loan	78 251	445 682
Increase (decrease) in current assets other than cash	(89 407)	88 620
	7 892 567	3 912 838
Cash at End of Year	\$ 42 504	\$ 41 853

Comparative Statistical Data

1969 1968 1967 1966

Number of communities served — retail electricity	26	26	26	26
† Total population served with electricity — retail	20 000	19 675	19 365	19 170
* Number of residential electric customers	6 445	6 274	6 093	5 966
* Number of electric customers other than residential	653	634	617	554
Electric sales — kilowatt-hours (000 omitted)	1 136 286	1 202 193	1 171 186	1 126 692
Capability of hydro-electric stations — kilowatts	192 000	192 000	192 000	192 000
Number of hydro-electric stations	9	9	9	9
Pole miles of transmission and distribution line including 24.0 miles of line operated but not owned since 1966	1 195	1 176	1 169	1 146

†—Exclusive of an estimated population of 78,000 served by the Public Utilities Commission in the City of Sault Ste. Marie and adjoining area at close of year 1969.

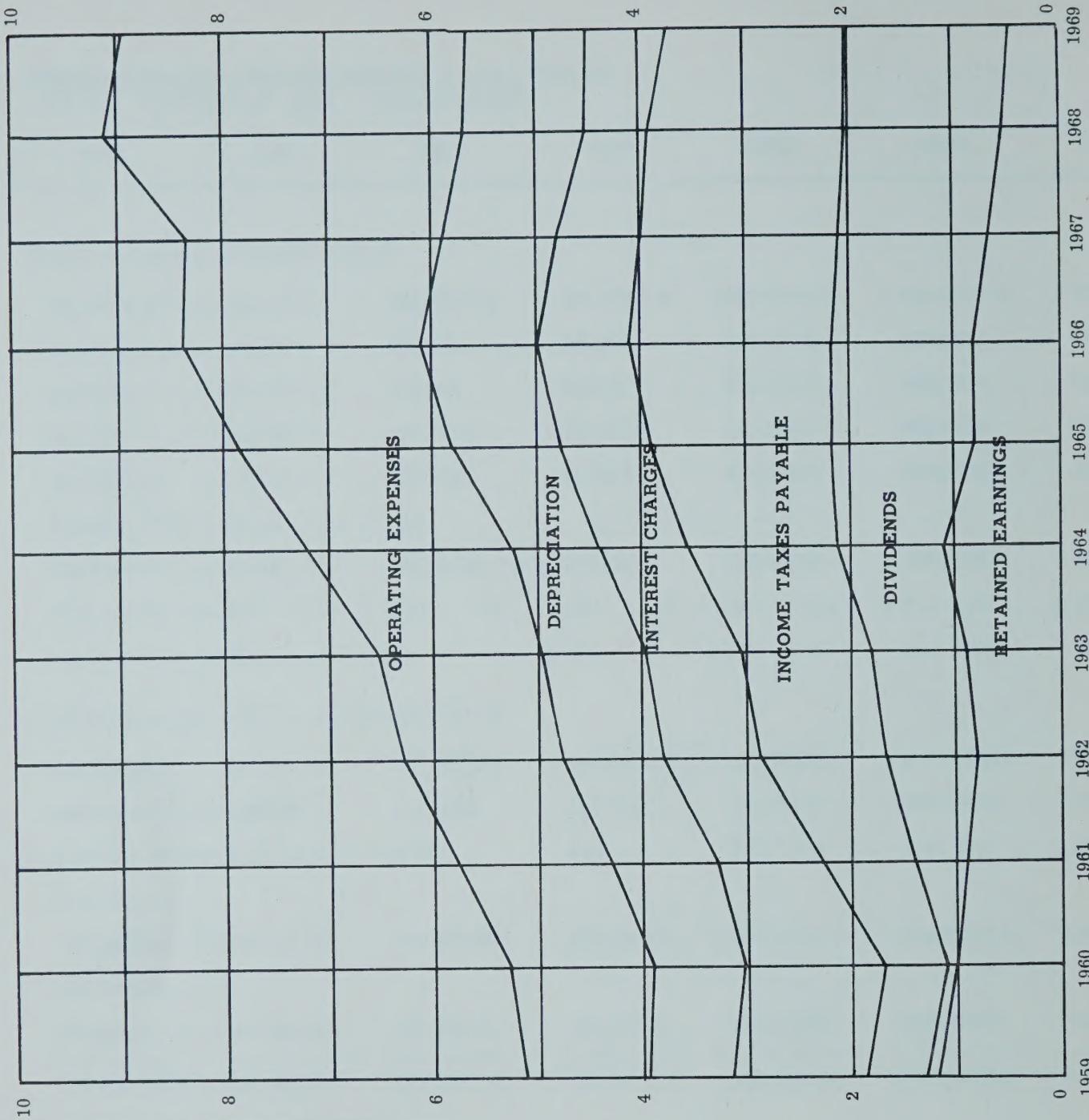
*—Adjusted to show customers at close of each year. Exclusive of 19,993 residential and 2,746 other electric customers served by the Public Utilities Commission in the City of Sault Ste. Marie and adjoining area at close of year 1969.

Ten Years in Review

	1969	1968	1967
CONSOLIDATED INCOME DATA			
Operating Revenue	\$ 8 908 204	\$ 9 022 773	\$ 8 275 992
Depreciation	1 165 709	1 149 716	1 139 365
Interest on Long-Term Debt	786 452	804 958	824 365
Provision for Income Taxes	1 710 800	1 784 800	1 828 400
Net Income	2 013 824	2 046 458	2 153 243
Dividends Paid — Preference Stock	—	—	—
Number of Common Shares Issued at Year End	1 232 509	1 232 234	1 232 234
Earnings Per Share — Common Stock	\$ 1.63	\$ 1.66	\$ 1.75
Paid Per Share — Common Stock	1.20	1.20	1.20
CONSOLIDATED BALANCE SHEET DATA			
Utility Plant	\$60 378 322	\$58 919 666	\$57 349 202
Accumulated Depreciation	15 743 199	14 822 205	13 768 981
Per Cent Depreciation to Utility Plant	26.1	25.2	24.0
Capitalization			
Long-term debt	\$13 025 000	\$17 618 000	\$17 711 000
Preference stock	—	—	—
Common stock equity	27 561 993	27 069 292	26 608 254
Total Capitalization	\$40 586 993	\$44 687 292	\$44 319 254
Capitalization Ratio — %			
Long-term debt	32.1	39.4	40.0
Preference stock	—	—	—
Common stock equity	67.9	60.6	60.0
Per Cent Long-Term Debt to Net Utility Plant	29.2	40.0	40.6
Common Stock Equity — Per Share at End of Year	\$ 22.36	\$ 21.97	\$ 21.59
KILOWATT-HOURS SOLD IN MILLIONS	1 136	1 202	1 171

GREAT LAKES POWER CORPORATION LIMITED

1966	1965	1964	1963	1962	1961	1960
\$ 8 258 981	\$ 7 805 984	\$ 7 049 848	\$ 6 463 796	\$ 6 250 689	\$ 5 729 411	\$ 5 187 083
1 126 499	1 065 656	1 009 667	988 290	964 650	951 799	938 793
851 517	892 688	922 630	938 423	966 254	989 797	1 006 256
1 861 300	1 709 500	1 461 100	1 204 400	1 177 300	883 000	657 400
2 259 831	2 172 440	2 162 929	1 839 240	1 674 588	1 409 888	1 290 158
—	—	—	—	—	45 038	91 123
1 221 467	1 211 977	1 188 696	1 173 216	1 112 803	1 052 037	1 020 987
\$ 1.85	\$ 1.79	\$ 1.82	\$ 1.57	\$ 1.50	\$ 1.30	\$ 1.17
1.20	1.15	.92½	.82½	.80	.47½	—
 \$56 216 793	 \$55 777 715	 \$55 194 945	 \$52 875 894	 \$49 708 260	 \$49 253 095	 \$48 861 384
12 708 577	11 671 722	10 794 819	9 861 726	8 894 143	7 993 124	7 088 008
22.6	20.9	19.6	18.7	17.9	16.2	14.5
 \$18 300 000	 \$19 325 000	 \$19 990 000	 \$20 583 000	 \$20 976 000	 \$21 719 000	 \$22 162 000
—	—	—	—	—	—	1 813 075
25 795 774	24 895 610	23 901 808	22 676 132	20 917 492	19 615 984	18 532 818
 \$44 095 774	 \$44 220 610	 \$43 891 808	 \$43 259 132	 \$41 893 492	 \$41 334 984	 \$42 507 893
 41.5	 43.7	 45.5	 47.6	 50.1	 52.5	 52.1
—	—	—	—	—	—	4.3
58.5	56.3	54.5	52.4	49.9	47.5	43.6
42.1	43.8	45.0	47.9	51.4	52.6	53.1
\$ 21.12	\$ 20.54	\$ 20.11	\$ 19.33	\$ 18.80	\$ 18.65	\$ 18.15
1 127	1 121	957	869	908	847	721



GREAT LAKES POWER
CORPORATION LIMITED

**INCOME
STATEMENT**

1959 - 1969

Total Income	10.0
Income Available For Interest Charges	2.0
Net Income Before Income Taxes	0.0
Net Income	0.0

